Cooperatives: "Schools for Democracy"

"Cooperative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration. They constitute a model for a people-centred and sustainable form of societal organization, based on equity, justice and solidarity."

– Secretary-General Boutros Boutros-Ghali
Message on the occasion of the first
International Day of Cooperatives
1 July 1995

By Definition

There has long been confusion in the public mind as to what actually constitutes a cooperative. Originally so named because they provided a practical means for co-operation, true cooperatives are simply a special type of business enterprise within the formal market system, both economic and social in character, which reflect a deep sense of social and environmental responsibility.

According to the definition formulated by the International Co-operative Alliance, cooperatives are "autonomous associations of persons united voluntarily to meet their common economic and social needs through jointly-owned and democratically-controlled enterprises". In its own definition, the International Labour Organization (ILO) also points out that members accept a fair share of the risks and benefits of their co-operative undertaking.

Clearly, these "genuine" private sector cooperatives, which are member-run and member-financed, are not to be confused with the State-run collectives, erroneously labelled "cooperatives", which characterized centrally planned economies.

There is another major difference between collectives and true cooperatives. Cooperatives are often described as "schools for democracy", because they are democratically organized from the grass-roots to the global level. Individuals, not Governments, direct and manage their day-to-day business, and decision-making is a shared process.

A Century and a Half of Self-Help

Historically, the foundation of the modern cooperative movement dates back to the year 1844, when a small group of weavers set up the first consumer cooperative in the British town of Rochdale in Lancashire. This, the Rochdale Equitable Pioneers Society, gave local working people their first taste of economic freedom and independence.

Fifty years later, in 1895, the International Co-operative Alliance (ICA) was founded in London. When the United Nations was created in 1945, the ICA became one of the first non-governmental organizations (NGOs) to be granted the highest level Category I consultative status with the Economic and Social Council. This year, in celebration of its 100-year anniversary, the ICA will convene a Centennial Congress in Manchester (UK) in September 1995.

From those humble beginnings just a little over 150 years ago, the cooperative movement has burgeoned into a globe-spanning alliance in over 100 countries, representing a vast range of activities from agriculture and fishing to tourism and insurance to housing and banking. Today, the ICA boasts an individual membership of 760 million people and it is estimated that the total number of persons whose livelihoods are to a significant extent made secure by cooperative enterprises approaches three billion people, more than half the world's population.

Based on the original 1844 Rochdale Principles, adapted in 1995 to reflect the world's fast-changing social and commercial environment, cooperatives apply the following principles as general guidelines for their activities:

- ***Membership:*** Cooperatives are open to all without regard to political, religious, gender, racial or social affiliation;
- ***Democracy:*** Cooperatives are democratic, participatory organizations actively controlled by their members. At the primary level, members enjoy equal voting rights, while at higher levels, administrators seek to involve members in decision-making;

- ***Financial structure:*** Members contribute equitably to the capital of their cooperative, a portion of which is usually collectively owned, and share in the results of its operations;
- ***Education:*** Cooperatives foster reciprocal, ongoing education programmes for members, leaders and employees. In addition to encouraging active collaboration between the cooperatives themselves, they also support information campaigns to raise public awareness, particularly for young people and opinion leaders;
- ***Autonomy:*** Cooperatives are autonomous, mutual-help, member-controlled organizations. Any agreements with Governments or others are entered into freely, on mutually acceptable terms that ensure the cooperatives' autonomy;
- ***Community:*** Concerned about the communities in which they operate, cooperatives strive to align member needs with the overall goal of sustainable development.

The cooperative movement is grounded in a value system which stresses self-help, democracy, equality, equity and solidarity. Underlying these are ethical values: honesty, openness and social responsibility for all. The complementarity between the values of the cooperative movement and that of the UN itself is evident.

Especially today, in the light of new economic and social trends, it is increasingly recognized that cooperatives play a pivotal role in creating a sustainable society. According to the Secretary-General, they constitute "an important means, often the only one available, whereby the poor, as well as those better off but at perpetual risk of becoming poor, have been able to achieve economic security and an acceptable standard of living and quality of life".

In recognition of the invaluable contribution of cooperatives and in observance of the centenary celebration of the International Co-operative Alliance, the General Assembly, in its resolution 47/90 of 16 December 1992, proclaimed 1 July 1995 as the first United Nations International Day of Cooperatives; however, the ICA has observed its own International Cooperative Day on the first Saturday in July since 1923. In addition, in the United States, the entire month of October is celebrated as "Cooperative Month" and the week of 15-21 October 1995 is Credit Union Week, while 19 October marks the annual observance of International Credit Union Day.

Concrete Contributions

Cooperative enterprises contribute tangibly to the alleviation of poverty, the creation of productive employment and the enhancement of social integration. In fact, in its resolution 49/155 of 23 December 1994, the General Assembly acknowledged that cooperatives are an "indispensable factor in the economic and social development of all countries ..." With their remarkable range and diversity, they often stand out as examples of efficiency and effectiveness, not to mention serving as tangible models for social partnerships in progress. In many cases, cooperatives are the dominant players in their industries. Below are a few salient facts.

Cooperatives in developing countries:

According to a report by the Secretary-General (A/49/213 of 1 July 1994), an estimated 2.3 billion people, or 57 per cent of the total population in developing countries alone, is "closely associated with cooperatives". Cooperatives serve crucial functions and make major contributions to national economies. For example:

- ***India:*** Some 90,000 agricultural supply and marketing cooperatives existed in 1993. They helped to spearhead India's "green revolution" by supplying 34 per cent of fertilizer input. Simultaneously, the Anand dairy cooperatives, comprising over 57,000 dairy cooperatives with more than 6 million members, were the country's largest producer of dairy products;
- ***Brazil:*** Recognizing that access to adequate medical care is a serious problem for the average Brazilian, a cooperative organization was set up in 1967 to compete with the collective healthcare businesses. Today it has 61,400 doctors (about one third of the national total) and 8.5 million patients;
- ***Republic of Korea:*** In 1992, after only thirty years in existence, the largest credit union movement in any developing country, first in terms of assets ($ 7.7 billion) and second in terms of membership (2.8 million persons), was registered in the Republic of Korea;
- ***Africa:*** In Burkina Faso, Côte d'Ivoire and Mali, the process of transforming parastatal "cooperatives" into genuine private-sector cooperatives was actively assisted by the International Labour Organization (ILO) through its Interregional Programme for Commercial Exchanges among Cooperatives (INTERCOOP) and its Organizational and Cooperative Support to Grass-Roots Initiatives (ACOPAM) project.
- ***China:*** In April 1994, 160 million Chinese were members of cooperatives under the ICA umbrella. Although parastatal "cooperatives" are still significant, many of them have embarked upon the challenging path of privatization, as evidenced by the fact that some 1,000 joint ventures involving $1 billion in capital had been set up by 1993 between foreign enterprises and Chinese cooperatives.

Cooperatives in developed market economies:

What many people do not realize is that cooperatives are not active exclusively, or even primarily, in developing countries; on the contrary, an estimated 531 million (62 per cent) of the total population in developed market economies is closely associated with cooperatives in some way. For example:

- ***USA:*** In 1994, the 100 largest US cooperatives employed 750,000 persons and provided a combined contribution of $87.2 billion to the national economy. Moreover, the 1993 Fortune 500 list of major US industrial corporations worldwide included 14 cooperative enterpris-

es, while another six appeared among the 100 largest diversified service companies (see box).

Further, a publication by the National Cooperative Bank, entitled *A Day in the Life of Cooperative America*, reveals that the lives of almost half the American population — some 120 million people — are affected by cooperatives.

Shelter: Cooperative housing units provide shelter for 3 million citizens while consumer-owned cooperatives provide electricity for 25 million people;

Food: Independent food stores that are members of cooperatively owned wholesalers provide $123 million worth of groceries and household products each day;

Health: Cooperatively organized community health centres provide medical care for more than 60,000 people daily, while doctors at cooperative and non-profit health maintenance organizations see almost 220,000 patients a day;

Media: Associated Press, a non-profit cooperative and the world's largest news service, disseminates news at 7,655 media outlets, serving 98.8 per cent of all US daily papers;

Jobs/stock: 10,000 US companies provide not only employment, but also employee stock ownership plans, for 11 million people;

Finance: Cooperative credit unions daily clear an average 13.3 million checks with an aggregate value of $1.3 billion while the Farm Credit System lends an average of $148 million per day to its members and the National Cooperative Bank extends $1.7 million in new financing to cooperatively owned businesses.

- ***Europe:*** In 1993, agricultural supply and marketing cooperatives in the European Union, Austria, Finland and Sweden had 14 million members, 800,000 employees, a turnover of 205 billion ECU (European currency units), a 55 per cent share of total farm inputs and a 60 per cent share of overall marketing. In 1993 cooperatives in Sweden had an aggregate annual turnover of 20 billion ECU (8 per cent of GNP), while cooperatives in the Basque region of Spain accounted for 15 per cent of 1989 regional GNP;
- ***Japan:*** Almost every Japanese farm enterprise is a member of supply and marketing cooperatives, which handled 95 per cent of rice production in 1993. Cooperatives also accounted for approximately 90 per cent of Japan's 1993 fisheries products;
- ***Canada:*** Quebec's "Mouvement des caisses Desjardins", one of Canada's outstanding savings and credit unions and the largest financial institution in that province, established 12 regional investment corporations to help promote balanced development by stimulating entrepreneurship in economically disadvantaged communities in the region.

Cooperatives and the Battle against Poverty

Poverty is the enemy of development. And, in today's world, one in every five persons lives in poverty, an ominous sign for our common future. In order to raise awareness and stimulate remedial action, the United Nations has declared 1996 as the International Year for the Eradication of Poverty.

Moreover, the UN-sponsored World Summit for Social Development — dubbed by the media the "Poverty Summit" — which took place in March 1995 in Copenhagen, Denmark, had the eradication of poverty as one of its core issues.

The Summit's concluding Declaration and Programme of Action for the formulation of national strategies to eradicate poverty acknowledged the "potential and contribution of cooperatives for the attainment of social development goals, in particular the eradication of poverty ...".

And it is true: cooperative enterprises *do* contribute substantially to the eradication of poverty, both directly through members and employees, and indirectly through stimulating the economies of the communities in which they operate, for example, through income derived from

US cooperatives included on the 1993 *Fortune 500* list of industrial and service companies

Industrial Companies	Service Companies
Farmland Industries (MO)	Harvest States Cooperatives (MI)
Agway (NY)	Associated Milk Producers (TX)
Land O'Lakes (MI)	Roundy's (WI)
CENEX (MI)	Ace Hardware (IL)
Mid-America Dairymen (MO)	Countrymark Cooperative (IN)
Gold Kist (GA)	Servistar (PA)
Ag Processing (NE)	
Ocean Spray (MA)	
CF Industries (IL)	
Tri Valley Growers (CA)	
Prairie Farms Dairy (IL)	
National Co-op Refinery Assn (KA)	
Riceland Foods (AR)	
Sun-Diamond Growers (CA)	

Note: US state in which the cooperative's headquarters are located is indicated in parentheses.

employment; through the provision of affordable goods and services to households; through consumer protection practices; through effective management of household and enterprise finance; through affordable insurance packages; through the provision of adequate housing, utilities and services; and finally through the provision of education and training for human resource development.

Women and Cooperatives

Women in particular find membership in cooperative enterprises a most effective means to achieve economic empowerment, to engage in entrepreneurial activities and in employment, and, of great importance, to retain the benefits thereof.

The upcoming Fourth World Conference on Women, to be convened from 4 to 15 September 1995 in Beijing, China, along with its parallel NGO Forum on Women '95, will provide a powerful platform to highlight the contributions of the cooperative movement towards the advancement of women. Of special interest are the many different ways by which cooperatives help women to achieve full *de facto* equality with men:

- ***Alleviation of poverty:*** The "feminization of poverty" can best be counteracted by providing women with secure employment or livelihoods under acceptable conditions, including flexible labour practices and paid wages, as well as insurance and credit on non-exploitative terms. Sweden's Folksam is an award-winning example of an insurance cooperative which has provided innovative services suited to women's needs in particularly difficult situations, such as divorce, widowhood, unemployment, single motherhood and heading a household.
- ***Access to quality education and training:*** Cooperatives are paying special attention to improving the educational status of girls and of women members and employees. By helping to reduce the burden of household work and providing opportunities for independent sources of income, cooperatives are paving a path to empowerment for women.
- ***Health care:*** Providing quality health care at affordable prices, nutritionally appropriate goods and safe household equipment and family health education programmes is another example of ways in which cooperatives have addressed women's specific health needs;
- ***Elimination of violence against women:*** By providing such essentials as housing, employment and child care, cooperatives have been instrumental in reducing the degree of dependence and financial stress which may make women more vulnerable to abuse and violence.
- ***Economic self-reliance:*** Cooperatives, by their very nature, promote the pooling of resources to protect assets and enhance opportunities for viable economic activity. Thus, they are especially beneficial to women, who often lack access to productive resources;
- ***Equal participation:*** Cooperatives offer women a channel for gaining experience and upward mobility, both within the movement itself and in the external world of decision-making.

Socially Responsible Businesses

Active promotion of an ethic of social responsibility in private enterprise is another tenet of the cooperative movement which supports UN social development goals.

Certain cooperatives have demonstrated that, in this age of increasing public awareness, even in business, it pays to be socially responsible. The United Kingdom's Co-operative Bank provides a case in point. In response to a customer/member survey, it developed an ethical policy which prohibited the bank's involvement with any regimes or organizations condoning or tacitly permitting socially destructive practices, including the abuse of human rights, the manufacture or sale of weapons, degradation of the environment, financial speculation, money laundering, drug trafficking or tax evasion. As a result of this outspoken stance, the bank's customer membership has doubled since 1988.

Social Partnership for Sustainable Development

As "schools of democracy", cooperative enterprises also contribute to the promotion of social stability. For it is clear that Governments, although they may create an enabling environment, cannot achieve or maintain sustainable development without an interactive social partnership, actively involving all of civil society in an empowered, democratic manner.

This fact has been acknowledged throughout the decade of UN-sponsored conferences devoted to development issues. For example, in order to achieve its goals in the areas of poverty reduction, employment and social integration, the Social Summit's Programme of Action called for "comprehensive cross-sectoral strategies" to be undertaken, *inter alia*, in partnership with "actors of civil society, the private sector and cooperatives".

This partnership is already reflected in the United Nations Committee for the Promotion and Advancement of Cooperatives (COPAC), an entity unique in the UN system in that it acts as interface between the UN system and global NGOs representing major sectors of society and simultaneously serves as an inter-agency forum within the UN system.

Thus, with its globe-spanning dimensions and diversity and its mutual insistence on social partnership, participatory democracy, empowerment and "people-centred sustainable development", the cooperative movement reflects a strong, deep current of complementarity with the values and principles of the United Nations. And this is the bedrock of social development.

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